

**MUNISIPALITEIT
RICHTERSVELD
MUNICIPALITY**

Die Richtersveld leuse is:

!Châi //Khoredi

Dit beteken: "Strewe na sukses" in Nama

RICHTERSVELD MUNICIPALITY

**2016/17 TO 2018/19
MEDIUM TERM REVENUE AND
EXPENDITURE FORECASTS**

Table of Contents

Part 1 – Annual Budget

- 1.1 Mayor's Report
- 1.2 Council Resolutions
- 1.3 Executive Summary
- 1.4 Operating Revenue Framework
- 1.5 Operating Expenditure Framework
- 1.6 Capital expenditure
- 1.7 Annual Budget Tables

Part 2 – Supporting Documentation

- 2.1 Overview of the annual budget process
- 2.2 Overview of alignment of annual budget with IDP
- 2.3 Measurable performance objectives and indicators
- 2.4 Overview of budget related policies
- 2.5 Overview of budget assumptions
- 2.6 Overview of budget funding
- 2.7 Expenditure on grants and reconciliations of unspent funds
- 2.8 Councillor and employee benefits
- 2.9 Monthly targets for revenue, expenditure and cash flow
- 2.10 Annual budgets and SDBIPs – internal departments
- 2.11 Contracts having future budgetary implications
- 2.12 Capital expenditure details
- 2.13 Legislation compliance status
- 2.14 Other supporting documents
- 2.15 Municipal manager's quality certificate

Abbreviations and Acronyms

AMR	Automated Meter Reading	GAMAP	Generally Accepted
BPC	Budget Planning Committee		Municipal Accounting Practice
CBD	Central Business District	GDP	Gross domestic product
CFO	Chief Financial Officer	GFS	Government Financial Statistics
CPI	Consumer Price Index	GRAP	General Recognised Accounting
DBSA	Development Bank of South Africa		Practice
DoRA	Division of Revenue Act	HR	Human Resources
DWA	Department of Water Affairs	HSRC	Human Science Research Council
EE	Employment Equity	IDP	Integrated Development Strategy
EM	Executive Mayor	IT	Information Technology
FBS	Free basic services	kl	kilolitre

km kilometre
 KPA Key Performance Area
 KPI Key Performance Indicator
 kWh kilowatt
 ℓ litre
 LED Local Economic Development
 MEC Member of the Executive Committee
 MFMA Municipal Financial Management Act
 Programme
 MIG Municipal Infrastructure Grant
 MM Municipal Manager
 MMC Member of Mayoral Committee
 MPRA Municipal Properties Rates Act
 MSA Municipal Systems Act
 MTEF Medium-term Expenditure Framework
 MTREF Medium-term Revenue and Expenditure Framework

NERSA National Electricity Regulator South Africa
 NGO Non-Governmental organisations
 NKPIs National Key Performance Indicators
 OHS Occupational Health and Safety
 OP Operational Plan
 PBO Public Benefit Organisations
 PHC Provincial Health Care
 PMS Performance Management System
 PPE Property Plant and Equipment
 PPP Public Private Partnership
 RG Restructuring Grant
 SALGA South African Local Government Association
 SDBIP Service Delivery Budget Implementation Plan
 SMME Small Micro and Medium Enterprises

Part 1 – Annual Budget

1.1 Mayor's Report

Honourable councillors, municipal officials, partners in government, members of community, it is my privilege to present the final 2016/17 annual budget.

This budget is a financial forecast of income and expenditure for Richtersveld Municipality.

It should be known that the municipality is currently serving an approximate 3300 households with basic services. This amount includes 1000 registered indigent households.

The total projected operational income amounts to R64 314 243.18 and the projected operation expenditure amounts to R62 447 703.92. This equates to a surplus of R1 866 539.30. The Budgeted Income and Expenditure for 2016/17 is based on a true reflection of actual expected outcomes at the end of June 2017.

Key Budgeted Expenditure Items

Some of the budgeted amounts have been based on realistic and inflation based increases.

Personnel Costs

- Salaries amount to 37% of total operating expenditure
- Salaries were increased by 6% as per SALGBC Circular 1-2016 and a 1% notch increase, equalling 7%
- New posts also included as well as performance bonuses

General Expenditure

General expenditure amounts to R10 812 000 equalling 17% of operating expenditure.

Capital Expenditure

The total Capital budgeted expenditure amounts to R28 279 876.00. The expenditure will be largely funded through National Grants i.e.:

- Paving of Sanddrift road –MIG Funding
- Oxidation Ponds – MIG Funding
- Electrification of Sanddrift houses – INEP Funding
- Bulk electrification- Port Nolloth – INEP Funding
- Desilination plant
- Fleet

The Municipality strives to adhere to realistic anticipated revenue. The municipality also made use of National Treasury Guidelines i.r.o. inflation and economic trends to compile 2016/17 MTREF.

Financial Management Grant (FMG)

The allocation for 2016/17 financial year amounts to R1 800 000.00. This grant will be used for salaries of interns and the majority for implementation of MSCOA.

Management Systems Improvement Grant (MSIG)

The municipality has received no allocation i.r.o. 2016/17 financial year

Service Charges

The majority of tariffs were increased by 7.8% in line with Circular 79. Electricity tariffs were increased by 7.64% as per NERSA document dated 07 March 2016.

Free Basic Services

Registered households with an income not exceeding R 3 300.00 per household qualifies for this subsidy. The subsidy consists of 6 kiloliter of free water, 50 kwh electricity, free refuse removal and free sanitation per month.

Sale of Land

Council has approved the sale of land, valued at R3 176 600.00 which has a large impact on expected revenue. It should be noted that land is in high demand in Port Nolloth and it is realistic to expect the full monetary value of the land being available for sale. There are already a list of prospective buyers who have applied to Council to make available for land for development – domestic/ industrial.

1.2 Council Resolutions

On 23rd May 2016 the Council of Richtersveld Local Municipality met in the Council Chambers to consider the Final Annual Budget of the municipality for the financial year 2016/17. The Council approved and adopted the following resolutions:

1. The Council of Richtersveld Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
 - 1.1. The Final Annual budget of the municipality for the financial year 2016/17 and the multi-year and single-year capital appropriations as set out in the following tables:
 - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification).
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote).
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type).
 - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source.
2. The Council of Richtersveld Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2016:
 - 2.1. the tariffs for property rates
 - 2.2. the tariffs for electricity
 - 2.3. the tariffs for the supply of water
 - 2.4. the tariffs for sanitation services
 - 2.5. the tariffs for solid waste services
 - 2.6. sundry income
3. The Council of Richtersveld Local Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2016 the tariffs for other services.

1.3 Executive Summary

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainable, economically and equitably to all communities.

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship.

The Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the Municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular No. 51, 54, 58, 59, 66, 67, 70, 72, 74, 75, 78 and 79 were used to guide the compilation of the 2016/17 MTREF.

The main challenges experienced during the compilation of the 2016/17 MTREF can be summarised as follows:

- The continuing difficulties in the national and local economy;
- Ageing of water, sewerage, roads and electricity infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- The increased cost of bulk electricity (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will come a point where services will no longer be affordable to the community;
- Wage increases for municipal staff that continues to exceed consumer inflation.
- Affordability of capital projects – original allocations had to be reduced and the operational expenditure associated with prior year's capital investments needed to be factored into the budget as part of the 2016/17 MTREF process; and
- Operating with an old fleet which is putting pressure on the repairs and maintenance budget.
- The municipality is grant dependant as the income from consumers will not be able to fund operations
- The vastness of the municipal jurisdiction also attributes to the increase in direct and indirect cost to provide services to remote communities.

The following budget principles and guidelines directly informed the compilation of the 2016/17 MTREF:

- The 2015/16 Adjustments Budget priorities and targets, as well as the base line allocations contained in the Adjustments Budget were adopted as the upper limits for the new baselines for the 2016/17 annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water and electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;

In view of the aforementioned, the following table is a consolidated overview of the proposed 2016/17 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2016/17 MTREF

R thousands	Budget Year 2015/16	Budget Year 2016/17	Budget Year 2017/18	Budget Year 2018/19
Total Operating Revenue	60 063 000	64 314 243	67 154 527	69 391 506
Total Operating Expenditure	62 538 000	62 447 703	67 210 995.88	69 449 602
Surplus/(Deficit) for the year	(2 475 000)	1 866 539	(56 468)	(58 095)
Total Capital Expenditure	10 053 000	28 279 876	29 255 000	8547000

(663)										
NC061 Richtersveld - Table A1 Budget Summary										
Description	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Financial Performance										
Property rates	7,736	7,227	9,189	10,311	10,311	10,311	10,311	10,591	11,782	12,478
Service charges	16,764	17,616	20,415	23,800	23,784	23,784	23,784	25,379	27,060	28,678
Investment revenue	653	360	325	400	400	400	400	424	455	481
Transfers recognised - operational	21,229	18,201	21,649	18,381	18,381	18,381	18,528	17,551	16,021	18,144
Other own revenue	6,388	5,051	6,036	7,166	7,168	7,257	7,270	9,969	11,817	9,611
Total Revenue (excluding capital transfers and contributions)	52,769	48,454	57,616	60,057	60,063	60,132	60,292	64,314	67,155	69,392
Employee costs	15,679	17,131	18,009	18,555	20,145	20,145	20,145	23,449	25,137	26,518
Remuneration of councillors	1,981	1,970	1,990	2,796	2,569	2,569	2,569	2,207	2,366	2,360
Depreciation & asset impairment	5,127	5,401	4,439	3,896	3,896	3,896	3,896	6,801	7,291	7,562
Finance charges	1,041	1,204	1,149	907	938	938	938	1,508	1,617	1,111
Materials and bulk purchases	8,265	10,721	11,365	12,003	13,052	13,052	13,052	14,279	15,584	17,049
Transfers and grants	13,435	5	3,259	3,181	3,181	3,181	3,181	3,391	3,632	3,846
Other expenditure	14,340	20,363	19,858	18,501	18,757	18,757	18,757	10,812	11,585	11,005
Total Expenditure	59,888	66,795	66,001	60,316	62,538	62,538	62,538	62,448	67,211	69,450
Surplus/(Deficit)	(7,119)	(8,340)	815	(259)	(2,475)	(2,406)	(2,246)	1,867	(56)	(58)
Transfers recognised - capital	16,345	6,784	8,328	16,296	8,753	8,753	8,757	24,358	26,504	8,547
Contributions recognised - capital & contributed	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	9,216	(1,557)	9,143	16,037	6,278	6,347	6,521	26,225	26,447	8,489
Share of surplus/ (deficit) of associates	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	9,216	(1,557)	9,143	16,037	6,278	6,347	6,521	26,225	26,447	8,489
Capital expenditure & funds sources										
Capital expenditure	15,725	2,366	10,842	16,409	10,053	10,053	10,053	28,280	29,250	8,807
Transfers recognised - capital	15,216	2,043	10,842	16,301	8,753	8,753	8,753	24,358	29,250	8,807
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	75	-	-	-	-	-	-	3,822	-	-
Internally generated funds	434	323	-	108	1,300	1,300	1,300	100	-	-
Total sources of capital funds	15,725	2,366	10,842	16,409	10,053	10,053	10,053	28,280	29,250	8,807
Financial position										
Total current assets	15,222	9,924	7,861	19,387	14,054	14,054	14,215	13,976	10,037	11,332
Total non current assets	180,487	170,133	175,571	176,072	181,713	181,713	181,739	203,198	219,126	214,002
Total current liabilities	13,768	12,909	8,497	13,066	24,057	24,057	13,765	13,567	13,766	13,835
Total non current liabilities	11,682	14,997	14,338	11,241	15,300	15,300	15,300	16,451	15,854	15,169
Community wealth/Equity	150,239	152,151	160,568	171,132	156,410	156,410	166,879	187,156	205,569	208,453
Cash flows										
Net cash from (used) operating	11,032	5,007	8,625	19,226	8,507	8,507	8,358	27,120	28,783	13,733
Net cash from (used) investing	(15,731)	(7,333)	(10,315)	(18,368)	(10,042)	(10,042)	(10,042)	(25,092)	(24,704)	(8,696)
Net cash from (used) financing	(1,352)	(1,495)	(1,146)	(663)	(663)	(663)	(663)	(1,385)	(1,210)	(1,339)
Cash/cash equivalents at the year end	10,397	6,577	3,642	3,461	1,443	1,443	1,295	1,937	4,806	10,303
Cash backing/surplus reconciliation										
Cash and investments available	10,397	6,577	3,642	3,461	1,443	1,443	1,295	(189)	(5,360)	(5,203)
Application of cash and investments	9,430	5,958	1,662	(6,305)	5,234	5,251	(5,234)	(7,034)	(6,705)	(8,527)
Balance - surplus (shortfall)	968	619	1,780	9,766	(3,790)	(3,807)	6,528	6,845	1,345	3,324
Asset management										
Asset register summary (WDA)	283,552	29,335	174,946	192,297	181,529	181,529	203,025	203,025	224,984	226,229
Depreciation & asset impairment	5,127	5,401	4,439	3,896	3,896	3,896	6,801	6,801	7,291	7,562
Renewal of Existing Assets	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	1,310	1,300	606	1,080	1,152	1,152	1,207	1,207	1,291	1,367
Free services										
Cost of Free Basic Services provided	235	241	282	300	300	301	320	320	340	0
Revenue cost of free services provided	287	339	369	368	368	368	409	409	434	460
Households below minimum service level										
Water:	-	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:	0	0	0	0	0	0	0	0	-	-
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	3	-	-	-	-	-	-	-

Total operating revenue has increased by R4 251 556.376 for the 2016/17 financial year when compared to the 2015/16. This is due to the substantial increase caused by land sales.

Total operating expenditure for the 2016/17 financial year is calculated at R62 447 703.92

The available capital budget for the 2016/2017 financial year has increased by

R 18 226 992.57 compared to the 2015/2016 capital budget. This is largely due to the fact that the funding for the Desalination Plant. The Municipality is actively seeking funding/ partnerships to make this project a reality.

1.4 Operating Revenue Framework

For Richtersveld Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Efficient revenue management, which aims to ensure a 95 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Municipality.

The following table is a summary of the 2016/17 MTREF (classified by main revenue source):

Table 2: Summary of revenue and expenditure by standard classification

NC061 Richtersveld - Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)										
Standard Classification Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Revenue - Standard										
<i>Governance and administration</i>		52,240	29,048	26,527	32,423	32,423	32,437	35,015	37,189	37,658
Executive and council	9	240	195	195	269	269	269	239	257	272
Budget and treasury office	51,733	26,760	12,274	12,585	12,585	12,585	12,598	18,335	20,729	19,192
Corporate services	499	2,048	14,058	19,570	19,570	19,570	19,570	16,441	16,204	18,194
<i>Community and public safety</i>		1,890	8,077	3,304	3,304	3,304	3,304	3,338	2,259	2,393
Community and social services	-	95	1,378	1,529	1,529	1,529	1,529	1,444	231	245
Sport and recreation	-	1,780	2,736	1,761	1,761	1,761	1,761	1,877	2,012	2,131
Public safety	-	-	-	-	-	-	-	-	-	-
Housing	-	15	3,953	17	17	17	17	18	19	21
Health	-	-	-	(3)	(3)	(3)	(3)	(4)	(4)	(4)
<i>Economic and environmental services</i>	109	4,205	8,171	7,384	7,384	7,384	7,440	7,138	7,651	7,702
Planning and development	-	112	-	-	-	-	-	-	-	-
Road transport	109	4,093	8,171	7,384	7,384	7,384	7,440	7,138	7,651	7,702
Environmental protection	-	-	-	-	-	-	-	-	-	-
<i>Trading services</i>		16,765	20,095	23,498	33,241	25,704	25,704	43,184	48,559	30,186
Electricity	7,066	8,047	8,772	13,373	13,373	13,373	13,373	14,157	15,442	15,235
Water	5,237	6,120	6,589	13,045	5,508	5,508	5,508	21,729	23,293	6,666
Waste water management	2,079	3,797	5,072	3,377	3,377	3,377	3,377	3,604	3,863	4,091
Waste management	2,384	2,131	3,063	3,446	3,446	3,446	3,446	3,695	3,961	4,194
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Revenue - Standard	2	69,114	55,238	66,271	76,353	68,816	68,885	88,672	93,658	77,939
Expenditure - Standard										
<i>Governance and administration</i>		51,604	28,217	24,553	27,575	29,487	29,487	26,204	28,090	28,235
Executive and council	1,981	5,671	5,785	6,040	6,040	6,852	5,852	7,727	8,284	8,478
Budget and treasury office	49,558	7,691	3,617	7,959	7,848	7,848	7,848	10,555	11,315	12,047
Corporate services	54	12,855	15,151	13,577	15,787	15,787	15,787	7,921	8,492	7,709
<i>Community and public safety</i>		4,880	3,831	8,852	6,893	6,893	6,893	4,976	5,335	5,232
Community and social services	-	1,438	748	3,856	3,860	3,860	3,860	2,540	2,723	2,459
Sport and recreation	-	3,139	2,640	2,827	2,856	2,856	2,856	2,266	2,429	2,583
Public safety	-	217	60	52	53	53	53	34	36	38
Housing	-	25	419	58	62	62	62	66	71	75
Health	-	61	65	58	61	61	61	69	74	76
<i>Economic and environmental services</i>		6,299	5,915	5,592	4,884	4,884	4,884	7,090	7,590	7,788
Planning and development	-	307	-	-	-	-	-	-	-	-
Road transport	-	5,992	5,916	5,592	4,884	4,884	4,884	7,080	7,590	7,788
Environmental protection	-	-	-	-	-	-	-	-	-	-
<i>Trading services</i>		8,295	19,399	22,471	20,297	21,294	21,294	24,187	26,196	28,197
Electricity	7,140	10,264	12,068	13,005	13,625	13,625	13,625	15,359	16,732	18,194
Water	1,154	4,607	3,833	3,203	3,469	3,469	3,469	3,639	3,793	4,051
Waste water management	-	2,548	3,218	1,962	1,973	1,973	1,973	2,941	3,153	3,309
Waste management	-	1,780	3,353	2,127	2,227	2,227	2,227	2,349	2,518	2,644
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Expenditure - Standard	3	59,898	58,795	55,772	60,316	62,538	62,538	62,448	67,211	69,450
Surplus/(Deficit) for the year		9,216	(1,557)	9,499	16,037	6,278	6,347	26,225	26,447	8,489

Capital transfers and contributions are excluded from the operating statements, in order to see the surplus/ deficit.

Plans are in place to address the lack of revenue collected and improve the collection rate. These include the cutting of services and sending lawyers letters to consumers whose accounts have been in arrears for long periods

Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0,25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R25 000 of the market value of a property used for residential purposes is excluded from the rateable value (Section 17(h) of the MPRA).

Table 3 Comparison of proposed rates to be levied for the 2016/2017 financial year

<i>Category</i>	<i>Current tariff (1 July 2015)</i>	<i>Proposed tariff (1 July 2016)</i>
Residential Properties	0.009195	0.0099122
Business & Commercial	0.012204	0.0131559
Farms	0.001417	0.0015275
Mining activities	0.027586	0.0331528

Sale of Water and Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply as it did with electricity, since demand outgrows the supply. Richtersveld Municipality carefully reviewed the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

A summary of the proposed tariffs for households (residential) and non-residential are as follows:

Table 4 Proposed Water Tariffs

<i>Category</i>	<i>Current tariff (1 July 2015)</i>	<i>Proposed tariff (1 July 2016)</i>
Residential		
0-6kl	9.88	10.65
7-20 kl	10.57	11.39
21+kl	11.29	12.17

<i>Category</i> <i>Commercial</i>	<i>Current tariff</i> <i>(1 July 2015)</i>	<i>Proposed tariff</i> <i>(1 July 2016)</i>
0-2 kl	12.03	12.97
3+kl	12.73	13.72

Sale of Electricity and Impact of Tariff Increases

NERSA has announced the revised bulk electricity pricing structure. A 7.64% increase in terms of electricity sales will be effective from 1 July 2016.

Considering the Eskom increases, the consumer tariff had to be increased by a 7.64 per cent to offset the additional bulk purchase cost from 1 July 2016. Furthermore, it should be noted that given the magnitude of the tariff increase, it is expected to depress growth in electricity consumption, which will have a negative impact on the municipality's revenue from electricity. Registered indigents will again be granted 50 kWh per 30-day period free of charge.

Currently electricity is operating at a deficit. The Municipality will have to implement a strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term.

Sanitation and Impact of Tariff Increases

Currently, sanitation operates at a surplus. In most cases, a tariff increase of 7.8% (inflation) for sanitation from 1 July 2016 is proposed. (as per circular 79).

The following table compares the current and proposed tariffs:

Table 5 Comparison between current sanitation charges and increases

<i>Category</i>	<i>Current tariff</i> <i>(1 July 2015)</i>	<i>Proposed tariff</i> <i>(1 July 2016)</i>
Availability	68.57	73.92
Suction tank removals	68.57	131.31
Sanitation	75.61	81.51
Excess removals (normal hours)	153.96	135.00
Excess removals (after hours)	353.10	270.00
Sanitation connections	2254.66	2430.52
Blockage services	306.00	329.87
Sanitation- Muisvlak	587.65	633.49
Sanitation- Guesthouses	127.60	131.31

Suction tank removal- Industrial areas	0.00	170.00
---	------	--------

Waste Removal and Impact of Tariff Increases

Currently solid waste removal is operating at a surplus. In most cases, a tariff increase of 7.8% (inflation) for sanitation from 1 July 2016 is proposed. (as per circular 79) .

The following table compares current and proposed amounts payable from 1 July 2016:

Table 6 Comparison between current waste removal fees and increases

<i>Category</i>	<i>Current tariff (1 July 2015)</i>	<i>Proposed tariff (1 July 2016)</i>
Availability	62.36	67.22
Sales- Households	66.90	72.12
Sales- Commercial	251.02	270.60
Extra removals (bakkie)	371.60	400.58
Extra removals (truck)	690.30	744.14
Refuse removal- Muisvlak	587.55	633.38
Removal- Perishables	0.00	400.00
Guesthouses	127.67	137.63

Operating Expenditure Framework

The Municipalities expenditure framework for the 2016/17 budget and MTREF is informed by the following:

- The asset lease strategy and the repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) ;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plan no budget*. If there is no business plan no funding allocation can be made.

Summary of operating expenditure by standard classification item

Based on the three year collective SALGBC agreement, salary increases have been factored into this budget at a percentage increase of 7.0 per cent for the 2016/17 financial year.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipalities budget.

Bulk purchases are directly informed by the purchase of electricity from Eskom. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures exclude distribution losses.

Other expenditure comprises of various line items relating to the daily operations of the municipality. This is mainly made up of bulk purchases of R 14,279,000, employee related costs of R 23 448 634 and general expenditure of R 10 812 050

Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipalities Indigent Policy. This process is reviewed annually. The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

Capital expenditure

For 2016/17 an amount of R28 279 876 has been appropriated for the development of infrastructure on the capital budget especially water infrastructure.

NC061 Richtersveld - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding											
Vote Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand	1										
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2										
Vote 1 - Executive and council		-	-	-	-	-	-	-	-	-	-
Vote 2 - Administration: Corporate		-	-	-	-	-	-	-	-	-	-
Vote 3 - Administration: Community		-	-	-	-	-	-	-	-	-	-
Vote 4 - Financial Services		-	-	-	-	-	-	-	-	-	-
Vote 5 - Infrastructure		-	-	-	-	-	-	-	-	-	-
Vote 6 - (NAME OF VOTE 6)		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	-	-	-	-	-	-	-	-	-	-
Single-year expenditure to be appropriated	2										
Vote 1 - Executive and council		35	-	21	-	-	-	-	-	-	-
Vote 2 - Administration: Corporate		173	623	457	20	65	65	65	-	-	-
Vote 3 - Administration: Community		110	204	145	68	50	50	50	3,822	-	-
Vote 4 - Financial Services		-	-	17	5	5	5	5	100	-	-
Vote 5 - Infrastructure		15,406	1,539	10,192	16,316	9,933	9,933	9,933	24,358	29,250	8,807
Vote 6 - (NAME OF VOTE 6)		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		15,725	2,366	10,842	16,409	10,053	10,053	10,053	28,280	29,250	8,807
Total Capital Expenditure - Vote		15,725	2,366	10,842	16,409	10,053	10,053	10,053	28,280	29,250	8,807
Capital Expenditure - Standard											
Governance and administration		1,839	147	363	25	70	70	70	100	-	-
Executive and council		-	-	21	-	-	-	-	-	-	-
Budget and treasury office		509	105	17	5	5	5	5	100	-	-
Corporate services		1,330	43	325	20	65	65	65	-	-	-
Community and public safety		-	474	288	40	40	40	40	-	-	-
Community and social services		-	-	142	-	-	-	-	-	-	-
Sport and recreation		-	174	145	40	40	40	40	-	-	-
Public safety		-	-	-	-	-	-	-	-	-	-
Housing		-	300	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
Economic and environmental services		12,221	215	7,008	33	7,268	7,268	7,268	5,122	1,373	1,450
Planning and development		-	-	-	-	-	-	-	-	-	-
Road transport		12,221	215	7,008	33	7,268	7,268	7,268	5,122	1,373	1,450
Environmental protection		-	-	-	-	-	-	-	-	-	-
Trading services		1,684	1,529	3,164	16,311	2,875	2,875	2,875	23,058	27,877	7,357
Electricity		1,214	1,065	-	1,505	1,505	1,505	1,505	1,500	2,000	1,000
Water		-	113	577	7,548	5	5	5	15,857	19,857	-
Waste water management		-	146	2,607	7,258	1,165	1,165	1,165	5,701	6,020	6,357
Waste management		451	206	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Standard	3	15,725	2,366	10,842	16,409	10,053	10,053	10,053	28,280	29,250	8,807
Funded by:											
National Government		15,216	2,043	10,842	16,301	8,753	8,753	8,753	24,358	29,250	8,807
Provincial Government		-	-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	15,216	2,043	10,842	16,301	8,753	8,753	8,753	24,358	29,250	8,807
Public contributions & donations	5	-	-	-	-	-	-	-	-	-	-
Borrowing	6	75	-	-	-	-	-	-	3,822	-	-
Internally generated funds		434	323	-	108	1,300	1,300	1,300	100	-	-
Total Capital Funding	7	15,725	2,366	10,842	16,409	10,053	10,053	10,053	28,280	29,250	8,807

Part 2 – Supporting Documentation

Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee is incorporated in the Financial Steering Committee and consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the Mayor.

The primary aims of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipalities IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2011) a time schedule that sets out the process to revise the IDP and prepare the budget.

Budget Activities	Integrated Development Plan for next year	Responsibility	Proposed Date	Due Date
Time Schedule planning				
Engagements with Communities on IDP	Alexander Bay Eksteenfontein Kuboes Lekkersing Port Nolloth/Sizamile Sanddrift	Mayor/IDP Manager/Ward Councillors/Ward Committees		18 Nov 2015 (18h00) 17 Nov 2015 (11h00) 18 Nov 2015 (11h00) 17 Nov 2015 (15h00) 19 Nov 2015 (18h00) 18 Nov 2015 (14h00)
Prioritization of IDP projects with Communities	Alexanderbay Eksteenfontein Kuboes Lekkersing Port Nolloth/Sizamile Sanddrift	Mayor/IDP Manager/Ward Councillors/Ward Committees		12 Jan 2016 (18h00) 13 Jan 2016 (11h00) 12Jan 2016 (11h00) 13 Jan 2016 (15h00)
Stakeholders meeting	Councillors, Ward Committees/CBO's/NPO's and government departments	Mayor/IDP Manager/Ward Councillors Municipal Manager		
Namakwa District Municipality	IDP Engagement and Analysis with Municipalities	IDP Manager Municipal Manager/Mayor		
COGHSTA				

Budget Steering Committee		Mayor/IDP Manager/Municipal Manager Chief Financial Officer		14 Jan 2016 (18h00) 12 Jan 2016 (14h00) 11 February 2016 November 2015 August 2016 09 Feb 2016
Consultation with bulk service providers		Municipal Manager/CFO		
Determine the time schedules for budget process	Determine the time schedules for the Integrated Development Plan (IDP) process.	Chief Financial Officer /IDP Manager		31 July 2015
Review of budget policies	Indigent Policy, Rates Policy, Credit Policy	Municipal Manager/Council		Jan - March 2016
Time Schedules and Consultation				
The Mayor lay down the budget process and time schedules to council	The Mayor lay down the IDP review process and time schedules to council.	Mayor		28 August 2015
Advertise (through the website of the municipality, local	Advertise (through the website of the municipality, local	Municipal Manager	.	Within 5 days after

newspaper and notice boards) the budget process and time schedules.	newspaper and notice boards) the new process that will be used, time schedules for consultation and community meetings of all forums and committees			tabled by the council
Ensure consultation on the budget and community consultation for the IDP takes place.	Ensure consultation on the budget and community consultation for the IDP takes place.	Mayor/Councillors		Continues Process as being outlined above.
Review all external mechanisms that are in place to ensure that all changes on all agreements are made, which may have an impact on the next budget.		Municipal Manager		30 September 2015
Position and Financial Capacity				
Based on the financial statements of the previous financial year, on the financial position of the municipality and the financial capacity determine the impact on the future strategies and budget	Review the performance of the IDP of the past year and consult with the community on the achievements and the changes regarding the needs of the community that needs to be made. (IDP committee and IDP representatives forum)	Chief Financial Officer/Senior Management		17 November 2015 31 October 2015
Long term Planning				
In the consultation with the Financial committee determine the future priority area for the municipality to set guidance for the budget allocations and the IDP drafting.	In consultation with the IDP committee the future plans, strategies and priorities for the next 3 to 5 years are determined. (Incorporate feedback to the community).	Mayor		31 October 2015
Confirm current policy priorities and set new policy		Council		October 2015-

priorities for the next 3 years.				November 2015
IDP committee approves the policy guidelines and priority areas.				30 Nov 2015
Identify all factors that may impact on the future budgets and determine the broad financial framework.		Head of Departments		15 January 2016
Determine the possible income / funding / grants that will be available for the next three financial years. (16/17,17/18,18/19)		Chief Financial Officer		March 2016
Determine the possible outcomes and identify needs for change in the fiscal strategy.				
Preparation of concepts				
Review income and funding policies, including the tariff structure.		Heads of department		12 February 2016
Prepare the allocations on the financial capacity and the possible future financial outcome.		Municipal Manager/CFO		
IDP-committee meeting to discuss the outcomes, goals, priorities and outcomes for the upcoming three years.	IDP-committee meeting to discuss the outcomes, goals, priorities and outcomes for the upcoming three years.	Council		23 November 2015
Consultation with other institutions				
The Municipality receives notifications from National and Provincial Government on factors that may		Municipal Manager		December 2015

have influence on the budget.				
Advertise the request for funds transfers to organizations outside government sphere.		Municipal Manager		Jan – Dec 2016
Preparation of the IDP, capital and operational budget with cost and income projections. Review implementation of service delivery and budget implementation plan.	Integration of the IDP, including the upgrading of the budget framework.	LED/IDP Manager		February 2016
Preparation of projections and functional allocations based on previous years status and amended prominent factors, prominent responsibilities, and prominent asset maintenance requirements.		Chief Financial Officer		March 2016
Amend plans to link to the available resources and policy priorities.		Chief Financial Officer		March 2016
Finalise the draft options for the IDP and budget for the next 3 years.		IDP Manager		31 March 2016
Consider the impact of tariffs and consumer billings.		Chief Financial Officer		
Priority bepaling				
Consult the financial committee on the draft budget, tariff amendments and IDP medium term proposals.		Head of Departments and all unit managers		17 February 2016
Financial Committee discuss the draft budget, tariff amendments		Financial Committee		March 2016

and IDP proposals considering the priorities and achievements of the medium term proposals.				
Finalize the detailed operational plan en budget.	Finalize the detailed plans.	Municipal Manager & Head of Departments		26 February 2016
Incorporate the goals and operational plan in relation to the Service Delivery and Budget implementation plan (SDBIP).		Head of Departments		26 February 2016
National and Provincial accounting officers finalize any adjustment to the projected allocations for the next three financial years, not later than their budget.		National and Provincial Government		29 February 2016
Finalization of concepts				
Finalize detailed concept budget for the next three years in the prescribed format.		Chief Financial Officer		29 February 2016
Incorporate the concept budget proposals and monthly projections of Income per source in the SDBIP.		Chief Financial Officer		23 March 2016
Financial Committee receives budget, SDBIP and the improvements on the IDP.	Financial Committee receives budget, SDBIP and the improvements on the IDP.	Chief Financial Officer		16 March 2016
Considering of the Annual Budget				

Council approves the annual budget	Council approves the annual budget	Council		24 March 2016
Mayor tables the budget, tariffs, SDBIP and updated IDP to council before 31 March.	Mayor tables the budget, tariffs, SDBIP and updated IDP to council before 31 March.	Mayor		24 March 2016
Council debates on the budget and the IDP.	Council debates on the budget and the IDP.	Council		24 March 2016
Consultation				
Submit a copy of the budget, tariffs, SDBIP and changes to the IDP to National and Provincial Government for proposals.	Submit a copy of the budget, tariffs, SDBIP and changes to the IDP to National and Provincial Government for proposals.	Municipal Manager		31 March 2016
Consultation with the community on the budget, the tariffs, the IDP and the Performance areas and indicators in the SDBIP.	Consultation with the community on the budget, the tariffs, the IDP and the Performance areas and indicators in the SDBIP.	Mayor/Councillors		07 March – 29 April 2016
Receive and analyse additional proposals of the community, National Government and Provincial Government.	Receive and analyse additional proposals of the community, National Government and Provincial Government.	Mayor/Councillors		May 2016
Incorporate feedback received from the community and Provincial and National Government and if necessary, review the budget, tariffs, SDBIP and IDP which was tabled to council.	Incorporate feedback received from the community and Provincial and National Government and if necessary, review the budget, tariffs, SDBIP and IDP which was tabled to council.	Mayor		May 2016
Final Approval				
Mayor tables the reviewed budget, tariffs and IDP per table after	Mayor tables the reviewed budget, tariffs and IDP per table after consideration of proposals from the	Mayor		23 June 2016

consideration of proposals from the community and council – not later than 31 May 2015	community and council – not later than 31 May 2015			
Municipal Council approves the IDP and budget before end of May 2015	Municipal Council approves the IDP and budget before end of May 2015	Council		23 June 2016
Publishing and SDBIP				
Publish the budget, tariffs and IDP and submit a copy of the approved budget to National and Provincial Government.		Municipal Manager		June 2016
Table the SBDIP and Performance agreements to the Municipal Manager and Senior Managers to Executive Mayor for approval.		Municipal Manager		15 June 2016
Approve SDBIP and Performance agreement.		Mayor		30 June 2016
Advertise the SDBIP and performance agreements.		Mayor		15 July 2016
Performance agreements are tabled to council and the MEC for Local Government. (Special Council meeting)		Mayor		29 July 2016
Budget implementation				
Implement the budget (2016/2017).		Municipal Manager		01 July 2016

Start the preparation of the next budget.		Mayor		31 July 2016
If necessary review the budget in an adjustment budget.		Mayor		19 -31 January 2017

Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPIs);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP.

In order to ensure integrated and focused service delivery between all spheres of government it was important for the Municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. Provision of quality basic services and infrastructure which includes, amongst others:
 - Provide electricity;
 - Provide water;
 - Provide sanitation;
 - Provide waste removal;
 - Provide housing;
 - Provide roads and storm water;
 - Maintaining the infrastructure of the Municipality.
2. Economic growth and development that leads to sustainable job creation by:
 - Ensuring there is a clear structural plan for the Municipality;
 - Ensuring planning processes function in accordance with set timeframes;
 - Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.
- 3.1 Fight poverty and build clean, healthy, safe and sustainable communities:
 - Effective implementation of the Indigent Policy;

- Working with the provincial department of health to provide primary health care services;
 - Extending waste removal services and ensuring effective cleansing;
 - Ensuring all waste water treatment works are operating optimally;
 - Working with strategic partners such as SAPS to address crime;
 - Ensuring safe working environments by effective enforcement of building and health regulations;
 - Promote viable, sustainable communities through proper zoning; and
 - Promote environmental sustainability by protecting wetlands and key open spaces.
- 3.2 Integrated Social Services for empowered and sustainable communities
 - Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme
- 4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service by:
 - Optimising effective community participation in the ward committee system; and
 - Implementing Batho Pele in the revenue management strategy.
- 5.1 Promote sound governance through:
 - Publishing the outcomes of all tender processes on the municipal website
- 5.2 Ensure financial sustainability through:
 - Reviewing the use of contracted services
 - Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan
- 5.3 Optimal institutional transformation to ensure capacity to achieve set objectives
 - Review of the organizational structure to optimize the use of personnel;

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the Municipality. The five-year programme responds to the development challenges and opportunities faced by the Municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

In addition to the five-year IDP, the Municipality undertakes an extensive planning and developmental strategy. This process is aimed at influencing the development path by proposing a substantial programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the Municipality so as to promote greater equity and enhanced opportunity. The strategy specifically targets future developmental opportunities in traditional dormitory settlements. It provides direction to the Municipality's IDP, associated sectoral plans and strategies, and the allocation of resources of the Municipality and other service delivery partners.

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of the revised IDP, including:

- Strengthening the analysis and strategic planning processes of the Municipality;
- Involve the communities in the analysis and planning processes. More emphasis was placed on area based interventions, within the overall holistic framework;
- Ensuring better coordination through a programmatic approach and attempting to focus the budgeting process through planning interventions; and
- Strengthening performance management and monitoring systems in ensuring the objectives and deliverables are achieved.

The IDP revision process is underway and the public participation process has been concluded and needs have been identified by the community members. As soon as the IDP has been completed the compilation of the SDBIP will take place.

Overview of budget related-policies

Draft financial policies have been reviewed and tabled with the draft budget.

Overview of budget assumptions

External factors

Owing to the economic slowdown, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the Municipalities finances.

General inflation outlook and its impact on the municipal activities

There are four key factors that have been taken into consideration in the compilation of the 2016/17 MTREF:

- National Government macro- economic targets;
- The general inflationary outlook and the impact on Municipalities residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and water; and

Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic

conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

Growth or decline in tax base of the municipality

Debtor's revenue is assumed to increase at a rate that is influenced by the consumer debtor's collection rate, tariff/rate pricing, real growth rate of the Municipality, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the 'poor household' limits consumption to the level of free basic services.

Salary increases

The collective agreement i.r.o. salaries/wages was concluded in 2014/15 financial year and will lapse end June 2018. The increase for 2016/17 will be implemented as per SALGBC Circular 1 of 2016, which is 6% with an additional 1% notch increase, totalling 7% for 2016/17.

Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provide for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

NC061 Richtersveld - Table A7 Budgeted Cash Flows											
Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates, penalties & collection charges		5,793	6,740	7,225	10,311	10,311	10,311	10,311	8,135	9,102	9,986
Service charges		15,017	14,490	12,867	14,872	18,187	18,187	18,038	25,226	26,479	27,767
Other revenue		4,160	6,011	5,483	3,864	3,864	3,864	3,864	4,967	2,573	5,639
Government - operating	1	30,158	26,839	20,073	18,381	18,381	18,381	18,381	17,551	16,021	18,144
Government - capital	1	—	5,192	10,607	16,296	8,753	8,753	8,753	24,358	29,255	8,547
Interest		653	360	2,168	1,908	1,908	1,908	1,908	2,239	2,368	2,488
Dividends		—	—	—	—	—	—	—	—	—	—
Payments											
Suppliers and employees		(30,845)	(37,069)	(37,127)	(43,146)	(43,561)	(49,561)	(49,561)	(53,847)	(55,399)	(57,726)
Finance charges		(470)	(322)	(190)	—	—	—	—	(1,506)	(1,617)	(1,111)
Transfers and Grants	1	(13,435)	(17,204)	(12,578)	(3,259)	(3,336)	(3,336)	(3,336)	—	—	—
NET CASH FROM/(USED) OPERATING ACTIVITIES		11,032	5,007	8,525	19,226	8,507	8,507	8,358	27,120	28,763	13,733
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		—	(165)	—	—	—	—	—	3,177	4,535	1,900
Decrease (Increase) in non-current debtors		—	9	11	—	—	—	—	—	—	—
Decrease (Increase) other non-current receivables	9	—	—	—	11	11	11	11	11	11	11
Decrease (Increase) in non-current investments		(15)	—	—	—	—	—	—	—	—	—
Payments											
Capital assets		(15,729)	(7,177)	(10,325)	(16,409)	(10,053)	(10,053)	(10,053)	(28,280)	(29,250)	(8,807)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(15,731)	(7,333)	(10,315)	(16,398)	(10,042)	(10,042)	(10,042)	(25,092)	(24,704)	(6,896)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		75	—	—	—	—	—	—	—	—	—
Borrowing long term/refinancing		—	—	—	—	—	—	—	0	—	—
Increase (decrease) in consumer deposits		—	—	—	41	41	41	41	60	60	60
Payments											
Repayment of borrowing		(1,427)	(1,495)	(1,145)	(705)	(705)	(705)	(705)	(1,445)	(1,270)	(1,399)
NET CASH FROM/(USED) FINANCING ACTIVITIES		(1,352)	(1,495)	(1,145)	(663)	(663)	(663)	(663)	(1,385)	(1,210)	(1,339)
NET INCREASE/ (DECREASE) IN CASH HELD		(6,051)	(3,820)	(2,935)	2,164	(2,198)	(2,198)	(2,347)	643	2,859	5,498
Cash/cash equivalents at the year begin:	2	16,448	10,397	6,577	1,296	3,642	3,642	3,642	1,295	1,937	4,806
Cash/cash equivalents at the year end:	2	10,397	6,577	3,642	3,461	1,443	1,443	1,295	1,937	4,806	10,303

Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?

- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

NC061 Richtersveld - Table A8 Cash backed reserves/accumulated surplus reconciliation											
Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Cash and Investments available											
Cash/cash equivalents at the year end	1	10,397	6,577	3,642	3,461	1,443	1,443	1,295	1,937	4,806	10,303
Other current investments > 90 days		0	(0)	(0)	0	0	0	0	(2,126)	(10,166)	(15,506)
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-
Cash and Investments available:		10,397	6,577	3,642	3,461	1,443	1,443	1,295	(189)	(5,360)	(5,203)
Application of cash and Investments											
Unspent conditional transfers		2,451	1,788	311	0	0	0	0	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	-	-	-	-	-	-	-	-	-	-
Other working capital requirements	3	6,979	4,171	1,651	(6,305)	5,234	5,251	(5,234)	(7,034)	(6,705)	(8,527)
Other provisions		-	-	-	-	-	-	-	-	-	-
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	-	-	-	-	-	-	-	-	-	-
Total Application of cash and Investments:		9,430	5,958	1,852	(6,305)	5,234	5,251	(5,234)	(7,034)	(6,705)	(8,527)
Surplus(shortfall)		968	619	1,780	9,766	(3,790)	(3,807)	6,528	6,845	1,345	3,324

Contracts having future budgetary implications

In terms of the Municipalities Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department. The Municipality has entered into a three year lease agreement with Bidvest for the lease of new fleet. This agreement to come into effect 1 July 2016.

Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the website.

2. Internship programme

The Municipality is participating in the Municipal Financial Management Internship programme and has employed interns undergoing training in various divisions of the Financial Services Department.

3. 0Service Delivery and Implementation Plan

The detail SDBIP document is at a draft stage and will be finalised after approval of the 2015/16 MTREF in May 2015 directly aligned and informed by the 2015/16 MTREF.

4. Annual Report

Annual report is compiled in terms of the MFMA and National Treasury requirements.

5. Policies

An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009, was announced in Government Gazette 33016 on 12 March 2010. The ratios as prescribed in the Regulations have been complied with.

Municipal manager's quality certificate

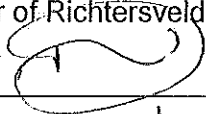
I, Dibere Maposa, acting municipal manager of Richtersveld Local Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name

Dibere Maposa

Municipal manager of Richtersveld Local Municipality (NC061)

Signature



Date

23/05/2016